

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 DRC-01 STR-08

CEA-02 INT-08 TAR-02 /183 W
----- 090108

R 301600Z MAY 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 3561

UNCLAS ATHENS 3263

E.O. 11652: N/A

TAGS: EFIN, GR

SUBJECT: GOG REGULATION OF FOREIGN BROKERS AND UNDERWRITERS

REF: STATE 79749

1. ATHENS STOCK EXCHANGE (ASE) FIRST ESTABLISHED 1876 (LAW 9/36/1896) AND FUNCTIONED FOR A NUMBER OF YEARS UNDER ARTICLES 70-87 OF GREEK COMMERCIAL CODE. SUBSEQUENT LEGISLATION PERTAINING TO ITS OPERATION INCLUDES L.D. 8/14/1919, LAW 2197/1920, AND LAW 3632/6-17-1928 AS AMENDED BY LAWS 6410/1940, 2341/1940 AND 3078/1954. ASE IS SEMIGOVERNMENTAL INSTITUTION, WITH GENERAL GOVERNMENT COMMISSIONER APPOINTED BY MINISTER OF COMMERCE TO OVERSEE OPERATION.

2. ONLY GREEK SECURITIES (STATE OR PRIVATE BONDS AND INDUSTRIAL AND BANKING SHARES) ARE QUOTED ON ASE. PURCHASES CAN BE MADE ONLY THROUGH GREEK BROKER. STOCKBROKERS LIMITED TO 50 (L.D. 3078/1954 AND 827/1971), AND MUST FULFILL FOLLOWING REQUIREMENTS ACCORDING TO L.D. 3078/1953:

(A) GREEK CITIZEN OVER 25 YEARS OF AGE;

(B) UNIVERSITY GRADUATE WITH ONE YEAR'S WORK EXPERIENCE

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WITH A BROKER;

(C) RECEIVE APPROVAL OF ASE COMMITTEE (7 MEMBERS CHOSEN FOR TWO-YEAR TERM BY GENERAL MEETING OF BROKERS AND APPROVED BY MINISTER OF COMMERCE), AND 3/5 MAJORITY IN GENERAL MEETING OF BROKERS;

(D) PAY AN ENTRANCE FEE EQUAL TO THE ARITHMETICAL AVERAGE OF THE OUTSTANDING SPECIAL FUND PAID BY ALL ACTIVE BROKERS. (FUND WAS ESTABLISHED BY THE L.D. 3078/1954). FEE AMOUNTS TO ABOUT 3,000,000 DRACHMAE AND MUST BE PAID BEFORE NEW BROKER STARTS HIS BUSINESS.

3. PARTICIPATION US FIRMS IN SECURITIES INDUSTRY HERE VERY LIMITED DUE TO SMALL SIZE AND SCOPE OF MARKET, AND RESTRICTIONS ON DRACHMA OUTFLOWS. TWO MAJOR US FIRMS, MERRIL LYNCH, PERCE, FENNER AND SMITH, AND E. F. HUTTON AND COMPANY HAVE OFFICES IN ATHENS. THESE OFFICES HANDLE ONLY INVESTMENTS OUTSIDE GREECE FOR INDIVIDUALS RESIDING IN COUNTRY. UNDER TERMS OF APPROVAL ISSUED BY GOG FOR OPERATIONS, FIRMS ARE RESTRICTED TO CUSTOMERS WITH LEGITIMATE ACCESS TO FREE CURRENCIES (I.E. SHIPOWNERS, SEAMEN, FOREIGN NATIONALS, ETC). NO TRANSACTIONS ARE CONDUCTED IN DRACHMA, AND NO CASH CHANGES HANDS IN ATHENS. ONLY EXCEPTION THIS RULE KNOWN TO EMBASSY INVOLVING US INTERESTS IS MERRILL LYNCH PARTICIPATION WITH BARCLAYS BANK (UK) AND LOCAL COMMERCIAL BANK IN HELLENIC MUTUAL FUND, WHICH IS PERMITTED FOREIGN HOLDINGS UP TO 20 PERCENT OF ITS PORTFOLIO. (AT PRESENT 20 PERCENT AMOUNTS TO ABOUT \$3 MILLION.)

4. WITH RESPECT TO UNDERWRITING ON LOCAL SCENE, CERTAIN AMERICAN BRANCH BANKS HAVE AGREED ON OCCASION TO ASSIST IN PLACING GOG BONDS, BUT THIS DONE TO ACCOMMODATE GOG AND NOT AS PART OF USUAL OPERATIONS.

5. COMMENT: AMERICAN INTERESTS NOT DIRECTLY IN COMPETITION WITH GREEK CONCERNS IN SECURIRY INDUSTRY HERE, SO QUESTION OF DISCRIMINATION NOT A LIVE ISSUE. LOCAL US TRADE CONTACT BELIEVES IT WOULD BE LEGALLY POSSIBLE FOR US OWNED COMPANY TO ESTABLISH AFFILIATE TO OPERATE IN LOCAL MARKET, BUT THAT SIZE AND NATURE OF MARKET MAKE IT UNATTRACTIVE PROSPECT AT PRESENT TIME.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, INSURANCE, BANK LAW, BANK DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATHENS03263
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740137-0119
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974059/aaaaahdu.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 79749
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 06 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 NOV 2002 by MorefiRH>; APPROVED <08 JAN 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOG REGULATION OF FOREIGN BROKERS AND UNDERWRITERS
TAGS: EFIN, GR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005